



Revamping the Way Texas Funds Its Schools: The 2016 TASB School Finance Plan

In May 2016, the Texas Supreme Court ruled that the state school finance system meets minimum constitutional requirements. However, the Court noted that five million Texas schoolchildren deserve a “revamped, nonsclerotic system fit for the 21st century,” adding that “the current Texas school system leaves much to be desired. Few would argue that the State cannot do better.” In fact, the conclusion to the ruling reports that the Texas “school funding ‘system’ is undeniably imperfect, with immense room for improvement.”

The path ahead is clear: Those who support change and improvement must seek remedies from the Legislature whose duty it is to establish and make suitable provision for the support and maintenance of an efficient system of public free schools. To this end, the Texas Association of School Boards (TASB) proposes a new school funding plan that addresses adequacy, fairness, and the growing needs of students who are economically disadvantaged and students who are English language learners.

Benefits of the TASB Plan over the Current School Finance System

The TASB Plan is a single-tier, single-guaranteed yield system that:

- Is easier to understand and explain;
- Replaces the target revenue and two-tiered formula systems;
- Phases out hold harmless provisions that have outlived their original purpose;
- Protects districts from losses during a two-year transition period by establishing a minimum gain feature;
- Controls state costs during a two-year transition period with a maximum gain feature;
- Recognizes the growing need for resources to assist all students in meeting state academic standards; and
- Improves fairness by allocating greater gains to districts with low property wealth, higher percentages of at-risk students, and growing numbers of students who need assistance learning English.

Features of the 2016 TASB School Finance Plan

- The TASB Plan replaces the current two-tiered and target revenue systems with a **single-tier system** for calculating districts’ maintenance and operations (M&O) funding. Under the TASB plan, a district’s revenue is calculated by multiplying the district’s weighted average daily attendance (WADA) times the district’s effective M&O tax rate times a single guaranteed yield. A minimum gain guarantee or annual gain limit (as described below) is then applied to help ensure that districts do not lose revenue under the TASB Plan during the first two years.
- The TASB single-tier system consists of a **guaranteed yield** on every penny (\$.01-\$1.17) of the local M&O property tax rate. The guaranteed yield is set at \$56.00 per WADA for the first two years. For purposes of illustrating how the plan works, all districts are set to an M&O tax rate of at least \$1.00.
- Under the TASB Plan, **recapture** occurs on every penny of the district’s M&O tax rate (\$.01-\$1.17). The equalized wealth level is set at the same threshold as the guaranteed yield. Therefore, recapture would begin at an equalized wealth level of \$560,000 per WADA. If the yield rises in future years, recapture would begin at the higher guaranteed yield.

- Under the TASB Plan, a district's **WADA** is calculated separately from the single-tier system. Funding for compensatory education is changed from a weight of 0.20 for each student identified for free- or reduced-priced lunch to a weight of 0.30 for each student identified by the district as being "at risk of dropping out of school" (TEC 29.081). The weight for bilingual education students rises from 0.10 to 0.20. The current cost of education index is replaced with a scaled version of a teacher fixed-effects index. The TASB Plan makes it easier to identify and address problems with individual weights, allotments, and adjustments and to see the relative impact of such changes on school districts.
- The TASB Plan includes the following provisions to help ensure that school districts gain a limited amount of revenue in the first two years that the plan is implemented. Whether these provisions achieve their intended purpose over time is contingent upon the Legislature appropriating sufficient state aid to fund them:
 - a **minimum annual gain guarantee** of \$65/WADA for each of the first two years so that districts with target revenue that exceeds the guaranteed yield would receive some additional funding under the TASB Plan;
 - an **annual gain limit** of \$250/WADA for each of the first two years of the plan.
- The TASB Plan does not change current law requiring voter approval of tax rate increases (above \$1.04) or the truth-in-taxation requirements.

Assumptions Underlying the TASB Plan and TASB's Projections of the Current System

- Incorporates PEIMS enrollment data and Texas Education Agency projections of property value for the 2015–16 school year.
- Assumes that district tax rates remain at 2015 levels and that all districts have an M&O tax rate of at least \$1.00.
- Changes the CEI to a teacher fixed-effects index; changes the compensatory education weight to a 0.30 weight for at-risk students; and increases the bilingual education weight to 0.20.
- Distributes the high school allotment using WADA and assumes the current level of state funding.
- The two-year cost to the State for the 2016 TASB Plan as set out here is estimated to be \$3 billion: \$1 billion for the first year and \$2 billion for the second year.

A Visual Comparison of the 2015–16 Current School Finance System and the 2016 TASB Plan

